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California Use Fuel Tax

***A Guide for Vendors
and Users***

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Preface

This pamphlet is designed to help you understand California's use fuel tax, which is imposed on the sale or use of certain fuels used to propel motor vehicles. It does not include information on the application of tax to diesel fuel, which is subject to the Diesel Fuel Tax, or gasoline, which is subject to the Motor Vehicle Fuel Tax.

The first chapter serves as an introduction to the use fuel tax and covers the kinds of fuel subject to the tax, the tax rates, and those persons responsible for collecting or paying the tax.

Subsequent chapters discuss in more detail the tax collecting, reporting, and payment responsibilities of fuel vendors and users and exempt uses of fuel.

For more information about the Use Fuel Tax Law, please contact the Board's Fuel Taxes Division at the address below, or call 916-322-9669. Staff will be glad to answer your questions. General questions regarding the sales and use tax should be directed to the Board's Information Center at 800-400-7115. You can also go online to learn more. Go to www.boe.ca.gov.

We welcome your suggestions for improving this or any of the Board's other pamphlets. Please send your suggestions to

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Note: This pamphlet summarizes the law and applicable regulations in effect when the pamphlet was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this pamphlet and the law, the latter is controlling.

1. Use Fuel Tax Overview

*Use fuel tax is imposed on the **use** of certain fuels, not on their sale or distribution. Use fuel taxes provide revenue for planning, constructing and maintaining California's publicly funded roadways and public mass transit systems.*

The following questions and answers discuss the types of fuel subject to the use fuel tax, those persons responsible for collecting and reporting the tax, the circumstances under which the fuels are taxable, and the rate at which the tax is imposed. You can obtain more details on these topics from the Use Fuel Tax Law and various regulations (see page 17).

What fuels are subject to use fuel tax?

In general, fuel is subject to use fuel tax if it is

- Used in an internal combustion engine to propel a motor vehicle on a highway in California; or
- Placed in a container on the vehicle, such as a fuel tank, from which fuel is supplied to run the vehicle on a highway. Fuel placed into containers not connected to the fuel system (for example, auxiliary tanks, drums or jerry cans) may be subject to tax if the fuel is intended for operating the vehicle on a highway.

Exclusions. The Use Fuel Tax Law specifically excludes from the use fuel tax:

- Those fuels (primarily gasoline) subject to the motor vehicle fuel tax (MVFT)
- Diesel fuel, which is subject to the diesel fuel tax
- Fuel not used on highways
- Fuel manufactured and used for racing vehicles on racetracks

To determine if the fuel that you sell or use is subject to the use fuel tax, you should check the following lists:

• Subject to Use Fuel Tax

Liquefied petroleum gas (LPG, Propane, Butane)
Liquid and compressed natural gas (LNG, CNG)
Kerosene
Alcohol fuels (ethanol, methanol)
Blended alcohol fuels with less than 15% gasoline
Distillate
Stove oil

• Not Subject to Use Fuel Tax

Diesel fuel subject to the Diesel Fuel Tax

Fuel Subject to the Motor Vehicle Fuel Tax

Gasoline

Aviation gasoline

Blended alcohol fuels with more than 15% gasoline

Fuel for Nonhighway Use

Marine bunker fuel, marine gas, and marine diesel oil

Note

In this pamphlet, the term *fuel*, unless otherwise noted, refers to products subject to the use fuel tax.

Atmospheric and light cycle oil
Pipeline transmix

Please note: Fuels intended for nonhighway use which, through a blending or other process, become suitable for use on a highway, are subject to use fuel tax. **Exception:** Kerosene, distillate, or stove oil, when not used to propel a motor vehicle, are not subject to the use fuel tax.

If you sell or use a product not listed in this section, please contact the Board's Fuel Taxes Division to determine whether it is subject to use fuel tax.

How are the terms "highway" and "motor vehicle" defined?

Under the Use Fuel Tax Law, the terms *highway* and *motor vehicle* are broadly defined.

Highway. A highway is any road inside California that is publicly maintained and open to the public for motor vehicle travel. Roads that qualify as highways include both interstate freeways and publicly maintained surface streets. A road within a federal area such as a national forest or military reservation also qualifies as a highway provided it is publicly maintained and open to the public.

Roads that do *not* qualify as highways include

- A road within a national or state forest, such as a logging road, that is privately constructed or maintained
- A road in a federal area that is restricted from public use
- A publicly maintained or constructed roadway that is not open to public vehicular use, for example, a bike path, a freeway under construction, or a street closed for repairs

Motor vehicle. A motor vehicle is any self-propelled vehicle *operated or suitable for operation on a highway*. Examples of motor vehicles are automobiles, pickup trucks, and tractor-trailer units. Also included in the category of motor vehicles are forklifts and rubber-tired agricultural or construction equipment which are capable of being driven on highways.

Not included in the term motor vehicle are:

- Vehicles that run on stationary rails
- Tracklaying equipment, such as bulldozers

Am I required to register as a vendor or user of use fuel?

Vendors and users, as described in this section, are required to either collect or pay the tax. You may qualify as a vendor, a user, or a vendor and a user.

A **vendor** is defined as any person who sells and delivers fuel into the fuel tank of a motor vehicle. A vendor is required to obtain a vendor permit, collect use fuel tax, and remit it to the Board.

A vendor can be a wholesaler, a retailer such as a service station operator, or a user who sells fuel to other users. Persons who sell fuel through a key or card lock facility or self-service pump are also considered vendors.

It is important to note that not all fuel retailers qualify as vendors. Persons who pump fuel exclusively into vehicles registered for the flat rate annual tax are not vendors. (See page 14 for a discussion of this topic.) Likewise,

persons selling fuel only for nonvehicular use, such as retailers who exclusively sell fuel for home heating, cooking, or lighting, are not vendors.

A **user** is any person who uses fuel to propel a motor vehicle on a highway. This includes owners, operators, lessors, or lessees of any vehicle that is operated on a highway. With the exceptions discussed on page 9, users are generally required to obtain a permit, report all taxable use of fuel, and, if necessary, pay use fuel tax to the Board.

A user does not include a person who uses fuel exclusively for nonvehicular uses such as heating, lighting, or cooking.

Note—interstate users: You may qualify for an IFTA (International Fuel Tax Agreement) license and may not need to apply for a use fuel permit. IFTA is an agreement among U.S. states and Canadian provinces that simplifies fuel tax reporting by interstate motor carriers. For more information on IFTA, you should obtain a copy of publication 50, *California IFTA: A Guide to the International Fuel Tax Agreement*, and publication 50-A, *California IFTA: An Introduction to the International Fuel Tax Agreement*. To obtain a copy of either publication, call the Board's Motor Carrier Section at 916-445-5022. Or go online to www.boe.ca.gov/sptaxprog/sptaxpubs.htm.

Vendor and user. It is possible to be both a vendor and a user. For example, if you are a wholesaler of fuel and you make bulk sales to end users, retail sales to truck drivers, and also use fuel in your own delivery trucks, you would be required to obtain separate permits as a vendor and a user. If you did not obtain the permits and report and pay the tax, you would be subject to interest and penalties on any unpaid tax. To ensure you are correctly registered, you should carefully review your sales or purchases to determine which permits you may need to obtain.

If I qualify as a vendor or user, how do I obtain a permit?

See Chapter 2, Vendors, or Chapter 3, Users, for information on how to obtain a permit.

If you are required to hold a permit and do not obtain one, you are subject to fines and penalties, including possible imprisonment. These fines and penalties apply whether you are located in the state or are driving into California from another state.

What is the rate of use fuel tax?

Some fuel uses qualify for a reduced tax rate (partial exemption). See page 12 for more information.

The tax rate depends on the type of fuel:

Alcohol Fuels (ethanol, methanol, and blended alcohol fuel with less than 15 percent gasoline): nine cents (\$0.09) per gallon.

Liquefied Petroleum Gas (LPG) and Liquid Natural Gas (LNG): six cents (\$0.06) per gallon.

Compressed Natural Gas (CNG): seven cents (\$0.07) per 100 cubic feet measured at standard pressure and temperature (14.73 pounds per square inch at 60 degrees Fahrenheit).

How do I obtain returns?

Once you are registered, we will send returns to you on a monthly, quarterly, or annual basis. You must file your return(s) by the end of the month following each reporting period. You must file a return even if you have no sales or use to report. If you do not file by the due date, you are subject to penalty and interest charges. Continued failure to file can result in the suspension or revocation of your license.

If I sell fuel, are my sales subject to sales tax?

If you sell any type of fuel to customers, your sales are generally subject to sales tax and you would qualify as a retailer. As a retailer, you must obtain a seller's permit in addition to your use fuel permit and you must report sales tax to the Board.

Prepaid sales tax

For sales of certain fuels, you may also be required to

- Charge prepaid sales on your sales to wholesalers or vendors, or
- Pay prepaid sales tax to your suppliers.

For more information on prepaid sales tax, please obtain a copy of publication 82, *Prepaid Sales Tax and Sales of Fuel*. You can call our Information Center for a copy, or you can go online to www.boe.ca.gov/sutax/staxpubsn.htm

If you have any questions about the application of sales tax, you can call our Information Center at 800-400-7115.

2. Vendors

You are considered a vendor if you sell fuel that you place into the fuel tank of a motor vehicle. Wholesalers, fuel retailers such as service stations, and users who sell fuel can all qualify as vendors. Vendors are required to obtain a Vendor Use Fuel Tax Permit and file returns with the Board. Vendors who use fuel in motor vehicles must also obtain a user permit. This chapter discusses how to obtain a vendor permit, how tax applies to your transactions, and your responsibilities as a vendor. It also discusses how to take a credit for bad debts.

How do I obtain a Vendor Use Fuel Tax Permit?

You must complete form BOE-400-FTA, *California Fuel Taxes/Fees Application*. To obtain a copy, call the Fuel Taxes Division or go online. Our telephone number is 916-322-9669. The website address for downloading the application is www.boe.ca.gov/sptaxprog/sptaxforms.htm. The form can be filled out online, but you must print the form out and mail it in.

After your application has been verified, you will be issued a permit.

Note:

If you have more than one location, you may obtain a permit for each location.

There is no fee for permits, but the Board may require a security deposit.

What kind of information does the application ask for?

The application asks for general information about your business, such as the type of ownership, names of owners or corporate officers, business locations and types of fuel used or sold. You will be asked to provide your social security number. Partners and corporate officers are required to provide the same information for the application. The application must be signed by the owners or corporate officers, who must also certify that the information is correct.

If your business is a corporation, you must also provide a copy of your articles of incorporation and the names, addresses, and signatures of all corporate officers. If your business is incorporated in another state, you must provide a certificate of qualification from the office of the Secretary of State.

Can I keep my permit even if I no longer sell or use fuel?

No. You may retain your permit as long as you are actively engaged in making sales or until it is cancelled, suspended, or revoked by the Board. If you are no longer active as a vendor, you are required to return your permit to the Board.

What are my responsibilities as the holder of a Vendor Use Fuel Tax Permit?

As the holder of a vendor use fuel tax permit, you are responsible for

- Collecting use fuel tax from your customers when you pump fuel into the tanks of their motor vehicles, or when you sell it through card or key-lock facilities. You are liable for the tax due even if you fail to collect it from your customers.
- Filing quarterly returns with the Board. (The Board may require you to file returns on another basis.) The *Vendor Use Fuel Tax Return*, (form BOE-501-AV), will be sent to you by the Board after you have registered. Returns are due on or before the last day of the calendar month following each reporting period and must be filed even if you have had no sales. If you do not file the return by the due date, you will be liable for interest and penalty charges. The penalty is 10 percent on the amount that should have been reported. If your failure to file is due to fraud, you are subject to a 25 percent penalty in addition to the 10 percent penalty.
- Remitting tax to the Board. You are considered to have collected the tax at the time of sale. The proper amount of tax due must be submitted with your tax return.
- Giving receipts to your customers. The receipt must have your name and address, the date of the sale, the gallons and price of the fuel sold, the use fuel tax collected, and the total of the sale. You should also include the name of the purchaser for charge sales and for cash sales of 25 gallons or more.
- Obtaining from your customer a properly completed certificate in which the customer certifies that he or she is entitled to purchase fuel without paying use fuel tax at the time of purchase.
- Keeping adequate records, including documentation for nontaxable sales that are not covered by Board authorizations.

It is important to remember that if you do not meet these responsibilities, the Board can revoke or suspend your permit.

What records must I keep?

As a vendor, you must keep complete records of all purchases, inventories, sales or other dispositions of fuel, including fuel inventory that you used for business or personal reasons. Your records must include all:

- Purchases and sales receipts
- Tank gaugings, meter readings, and inventories
- Contracts, purchase orders, and Board authorizations
- Records of nontaxable sales not covered by Board authorizations

You must keep and maintain these records for four years unless the Board authorizes their destruction.

When may I make a sale of fuel without collecting the use fuel tax?

Generally, you must collect use fuel tax on fuel you deliver directly into the fuel tanks of motor vehicles, regardless of their location.

However, you are not required to collect use fuel tax on the following transactions:

- Sales of fuel to a user who provides you with a certificate which indicates that the user may purchase fuel without paying tax (see below, “Sales to Users Providing Board Authorizations”)
- Sales of fuel you pump into containers other than fuel tanks of motor vehicles, including bulk storage tanks, equipment not considered to be motor vehicles, and containers such as fuel cans, drums, or barbecue propane tanks
- Sales to the U.S. Government (see below)
- Sales to users who have paid the annual flat rate tax (see below)

Sales to Users Providing Board Authorizations

You are not required to collect use fuel tax from users who present you with a Board authorization. Such authorizations are issued to users whose vehicles are used

- Exclusively off-highway. The fuel must be delivered directly into the users’ vehicle fuel tanks at the location where the vehicles are operated (see page 11).
- In interstate commerce, when the user would consistently pay more tax to vendors than is due on the vehicle’s overall use (see page 11).
- To provide transit services eligible for the reduced use fuel tax rate (see page 12).

You must retain all Board authorizations in your records, and list sales made to users holding Board authorizations on your vendor use fuel tax return.

Sales to the U.S. Government

Fuel sold for use by the U.S. Government or one of its agencies or instrumentalities is not subject to use fuel tax. Fuel you pump into the tank of a U.S. Government vehicle is exempt only if purchased with a credit card belonging to the government. If the purchaser pays for the fuel with cash or uses a personal credit card, the fuel is subject to tax.

You must report these exempt sales on your vendor returns.

Sales to Users Who Pay the Annual Flat Rate Tax

You may make nontaxable sales of LPG, LNG, and CNG to users who have paid the annual flat rate tax, provided the vehicle has a current flat rate decal attached. You should document all such sales by recording on your receipt the taxpayer’s permit and decal numbers, and the number of gallons sold. You are required to list the total number of tax-exempt gallons sold on your vendor return.

How should I report and document nontaxable sales?

You are required to report all nontaxable sales on your vendor return.

To support nontaxable sales reported on your returns, you should retain the following documents:

- Copies of the sales receipts issued to the customers
- Certificates provided to you by your customers for the purchase of tax-exempt fuel

The receipts should have not only your name and address, the name of the purchaser, date of sale, gallons, price, tax and total, but also a statement or code indicating the reason the sale is not taxable. For fuel sales of less than 250 gallons that you pump into containers other than motor vehicle fuel tanks, you should note the type of container into which you place the fuel (for example, storage tank, bulldozer fuel tank, drum). The notation may be either a description or a machine code. If a receipt covers multiple deliveries of fuel when only some were taxable, you must indicate the exempt deliveries.

As noted above, on receipts for fuel pumped into vehicles registered for the annual flat-rate fuel tax, you should note the tax decal number and vehicle license number.

Must I still pay tax to the state if the sale is a bad debt?

You must report and remit tax to the Board on all taxable sales of fuel. However, you may claim a credit for an account that qualifies as a bad debt if you have (1) previously reported use fuel tax from the sale and (2) written off the account as a bad debt for income tax purposes. To take this credit, you must complete the following steps:

- You must notify the Board of the delinquency by listing it on Schedule D of your vendor return and attaching a completed form BOE-120, *Notice of Delinquent Account*.
- If you have notified the Board of the delinquency (as described above) and written off the account as a bad debt for income tax purposes, you can claim a credit for the tax paid on *Schedule B* of your vendor return.

Generally, you will claim your credit on a return filed after you have notified the Board of the bad debt. However, you may notify the Board of the delinquency and claim a bad debt credit on the same return. You must generally claim your credit within three years of the due date of the return for the period in which the original sale occurred.

You can claim a credit only for the amount of tax that applies to the unpaid portion of the account. If, after claiming a credit for tax paid on a bad debt, you collect any of the tax due on the original sale, you must report that amount to the Board. It must be listed on *Schedule C* of the first return you file after collecting the tax.

For more information on reporting delinquent accounts and claiming credits for bad debts, please contact the Fuel Taxes Division at 916-322-9669.

3. Users

You qualify as a user of fuel if you are an owner, operator, lessor or lessee of a motor vehicle that is propelled on a highway by fuel. If you qualify as a user, you may be responsible for obtaining a permit, paying use fuel tax, and filing returns with the Board. You are not a user if you use fuel solely for nonvehicular purpose such as heating, cooking, or lighting.

In addition to general information for users, this chapter provides information on registration requirements and on exempt uses of fuel. If you are selling a vehicle that has been registered under a use fuel tax permit, you should read the information beginning on page 15.

Which “users” must register for a permit?

In general, you qualify as a “user” and must register for a permit if you own, operate, or lease a motor vehicle, including equipment such as a forklift or tractor, that is

- Powered by liquefied petroleum gas, liquefied or compressed natural gas, kerosene, or certain alcohol fuels, and
- Operated on a highway in California.

Exceptions. You are not required to obtain a permit if your only use of fuel in this state is to operate:

- (1) A vehicle licensed under the International Fuel Tax Agreement (IFTA). See page 3.
- (2) A vehicle registered out of state *if* the vehicle has less than three axles and does not have a gross vehicle weight over 26,000 pounds (11,797 kilograms); or, when used in combination, does not have a combined or registered gross vehicle weight over 26,000 pounds (11,797 kilograms).*
- (3) A privately operated passenger motor vehicle. Included in this class of vehicles are pickup trucks when used like an automobile for the private transportation of people.*
- (4) A recreational vehicle. Recreational vehicles include motor homes, pickup trucks with attached campers, and buses when used exclusively for personal pleasure.*
- (5) A commercial vehicle, including a pickup truck, with an unladen weight of less than 7,000 pounds.*
- (6) A privately operated two-axle truck that you have rented or leased for a period of 30 days or less.*

** Note—you are required to obtain a use fuel permit (or a four-day trip permit) if the vehicle is fueled from bulk storage.*

What permit do I need?

As a user, you must obtain one of the following permits to operate your vehicle on a highway in California:

- A California User Use Fuel Tax Permit, or
- A four-day trip permit (designed for occasional trips into California)

User Use Fuel Tax Permit

You may apply in person or register by mail. You can place multiple vehicles on the same permit. There is no permit fee for this permit.

To apply, please complete form BOE-400-FTA, *California Fuel Taxes/Fees Application*. You may call the Fuel Taxes Division or go online to obtain a copy of the application. Call 916-322-9669 or download the application from www.boe.ca.gov/sptaxprog/sptaxforms.htm. The form can be filled out online, but you must print the form out and mail it in.

After your application has been verified, you will be issued a permit. You may keep your permit as long as you qualify as a user, or until it is revoked or suspended by the Board. If you no longer operate a vehicle that requires a use fuel tax permit, you must return your permit to the Board.

The application asks for general information about your business, such as the type of ownership, names of owners or corporate officers, business locations and types of fuel uses or sold. You will be asked to provide your social security number. Partners and corporate officers are required to provide the same information for the application. The application must be signed by the owners or corporate officers, who must also certify that the information is correct.

If your business is a corporation, you must also provide a copy of your articles of incorporation from the California Secretary of State. You must also provide the names, addresses, and signatures of all corporate officers. If your business is incorporated in another state, you must provide a certificate of qualification from the office of the Secretary of State.

Four-Day Trip Permit

You may obtain a California Fuel Trip Permit from commercial permit services, some truck stops, by mail from our Fuel Taxes Division or the California Department of Motor Vehicles (DMV), or in person at DMV field offices (see your telephone directory to locate a DMV field office). Commercial permit services and truck stops may add a service charge to the basic cost of the permit, which is \$30.

The permit is issued for specific dates and is invalid before or after those dates.

What are my responsibilities as the holder of a user use fuel tax permit?

As the holder of a user use fuel tax permit, you must

- Pay tax to your fuel vendor, provided the vendor pumps the fuel directly into your motor vehicle fuel tank or you buy it from a card or key-lock facility.
- File tax returns that report the total gallons of fuel placed in your vehicle's fuel tank, including fuel taken from bulk storage. Gallonage should be reported on the basis of the volume without adjustment for temperature fluctuations.
- Remit tax to the Board. You must pay any tax you owe when you file your return. If you have paid tax to vendors in excess of the amount due, you may claim a credit for overpaid tax.

- Pay tax directly to the Board, if you purchase fuel for a taxable use and do not pay tax at the time of purchase. This applies to your purchases of fuel in bulk quantities or purchases of fuel dispensed by the vendor into containers other than motor vehicle fuel tanks.
- Provide to your fuel vendor the proper certification for purchasing fuel tax exempt.
- Inform the Board when you sell or transfer any vehicles registered for the use fuel tax.
- Keep and maintain adequate records.

If you do not fulfill these responsibilities, the Board may suspend or revoke your permit.

What records must I keep?

You should keep all receipts, invoices and other pertinent documents relating to your purchase and use of fuel. If you are making interstate trips, your records should include your trip log. If you are using fuel from bulk storage, you should keep a log or other records showing the amounts withdrawn and the vehicles into which the fuel is pumped. You must keep and maintain these records for four years unless the Board authorizes you to dispose of them.

Must I always pay the full rate of use fuel tax?

Yes, unless you qualify for a reduced rate as the operator of :

- A public or private transit company that provides transportation services to students or the public, or
- A vehicle powered by LPG, LNG, or CNG, and you have elected to pay the annual flat-rate fuel tax.

See pages 12-14 for more information on reduced rates.

Are any fuel uses exempt from tax?

Yes. The following sections contain information on the exempt uses of fuel in a vehicle. If you have questions about any particular exemption, please contact the Fuel Taxes Division at 916-322-9669.

Off-highway Use

Fuel used to operate vehicles off-highway is exempt from use fuel tax. "Off-highway" includes private property, any road or area which is closed to public use, or any place which does not fall within the definition of a highway (see page 2).

Fuel Used Outside California

If you purchase fuel in California for use both inside and outside the state, you are not liable for tax on the fuel used outside the state. You may claim a credit for the fuel used outside California on your user return.

Vehicles Operating on U.S. Department of Agriculture Highways

Fuel used in motor vehicles operating on highways under the jurisdiction of the U.S. Department of Agriculture (USDA) is exempt from tax provided the user pays or contributes to the cost of constructing or maintaining the highway under an agreement with the USDA. An example of such highways are logging roads within national forests.

If you are a user eligible for this exemption, you are required to pay the use fuel tax when you purchase the fuel, and to claim a credit on your use fuel tax return. To support your claim, you must keep records that describe the

highway, the route traveled, the amounts paid for construction or maintenance of the highway, and the gallons of fuel used while traveling on the highway. You must also keep a copy of your USDA agreement.

*Vehicle Power
Takeoff Equipment*

Fuel used in a vehicle for a purpose other than propelling it on a highway is exempt from tax. This includes fuel used to operate power takeoff equipment.

If you operate vehicles having power takeoff equipment, you may claim a deduction on your use fuel tax return for the fuel used to operate the equipment. For information on how to calculate the deduction, please contact the Board's Fuel Taxes Division in Sacramento.

*Agricultural and
Construction
Equipment*

Fuel used in agricultural vehicles or construction equipment is exempt from the tax when the equipment is

- Exempt from registration under the Motor Vehicle Code, and
- Operated only incidentally on a highway (see note below).

Examples of such equipment are tractors, swathers, and graders with rubber tires. Equipment running on tracks, such as bulldozers, does not qualify as a motor vehicle. Fuel used in such vehicles is always exempt from tax.

Note: Incidental operation means movement between farms or construction sites located close to one another.

*Public Agency
Vehicles Operating on
Military Reservations*

Fuel used in any motor vehicles owned by a county, city, district, or other political subdivision or public agency is exempt from tax when the vehicle is operated within a military reservation on roads that are constructed and maintained by the U.S. Government. When any such vehicle is also operated on a public highway in a continuous trip, tax is due on the portion of fuel used on the public highway.

**Are any uses
eligible for a
reduced tax rate (a
partial exemption)?**

Yes. As noted on page 11, the Use Fuel Tax Law provides a partial exemption from tax for certain operators of transit systems. It also allows vehicle owners or operators to pay an annual flat-rate fuel tax. These partial exemptions are explained in more detail below.

Transit operators

Certain public and private operators of transit services are eligible for a reduced rate of use fuel tax at one cent (\$0.01) per gallon, instead of the full rate listed on page 3. Qualifying operators and services include

- Any public entity such as a transit district or authority of city that owns and operates a transit system. The exemption applies whether the public entity provides the service itself or through a wholly-owned nonprofit corporation.
- Any private entity providing transportation service under a contract with a public agency authorized to provide public transportation services. To qualify, the contract must have been entered into after September 26, 1978, and cannot be a general franchise agreement. The reduced rate applies only to that fuel used to provide the contract services.

- Any passenger stage corporation engaging in certain local transit service that is subject to the jurisdiction of the Public Utilities Commission. A “passenger stage corporation” is defined as any person engaged as a common carrier for compensation, in the ownership, control, operation or management of a passenger stage over any public highway in this state between fixed terminals or over a regular route. To qualify, the corporation must be providing the service for hire, compensation, or profit. The service must be exclusively operated, located in urban or suburban areas or between cities in close proximity. In addition, one-way route mileage cannot exceed 50 miles.
- Any common carrier of passengers not qualifying as a passenger stage corporation that operates exclusively within the limits of a single city between fixed terminals or over a regular route. To qualify, 98 percent of the total route mileage must be located within the limits of a single city.
- Any school or community college district, or county superintendent of schools that owns, leases, or operates buses to transport students to and from school or for school related activities.
- Any private company providing transportation for students under contract with a school or community college district, or county superintendent of schools. The contract must have been entered into after October 1, 1984, and the partial exemption applies only to the fuel used to provide services covered by the contract.

Note: Charter-party carriers of passengers, as defined in section 5360 of the Public Utilities Code, are not considered transit operators and do not qualify for the reduced use fuel tax rate described above. Nor does the reduced rate apply to carriers that provide the transportation services described in subdivisions (a) and (e) of section 5353 of the Public Utility Code, if such transportation service is rendered as contract carrier and not as common carrier of passengers.

Transit operators qualifying for the exemption must keep all contracts and other relevant documents that will support their claimed exemption. Operators who provide both nonexempt and exempt services must keep records detailed enough to support any claimed exempt fuel use.

If an operator will make consistent overpayments of use fuel tax to his or her suppliers because of the exemption, the operator may obtain authorization from the Board to purchase fuel without the use fuel tax. To make a tax exempt purchase, the operator must issue a copy of a Board authorization to the supplier. The operator would then pay any tax liability when filing the use fuel tax return, at the rate of one cent per gallon for exempt use and the full tax rate for any nonexempt use.

Annual flat rate tax (vehicles powered by LPG, LNG, or CNG)

As an alternative to paying use fuel tax to vendors, an operator of a vehicle powered by LPG, LNG, or CNG may pay an annual flat rate tax. The tax is based on the type and weight of the vehicle:

Vehicle Type and Size	Fees
All passenger vehicles and vehicles with automobile license plates	\$ 36
Other vehicles with an unladen weight of:	
4,000 lbs. or less	\$ 36
4,001 lbs. to 8,000 lbs.	\$ 72
8,001 lbs. to 12,000 lbs.	\$120
12,001 lbs. or more	\$168

If you qualify for the annual flat rate tax, you must obtain a use fuel permit from the Board and apply to make payments as an annual flat rate taxpayer. After you have filed the application and paid the tax, the Board will issue a decal that you must affix to your vehicle. The decal cannot be transferred to another vehicle. The tax covers the twelve month period beginning with the month in which the payment is due. For example, an annual tax due in April covers the period from April 1 through the following March 31.

When an owner or operator elects to pay the annual flat rate fuel tax on more than one vehicle, the owner or operator may request that the Board prorate the tax due on a vehicle added during the annual period, so that all vehicles have the same annual period. In the year a vehicle is added, the annual flat rate fuel tax for that vehicle is calculated by dividing the fee by 12 and multiplying the resulting amount by the number of months remaining before the beginning of the next annual period. Certain annual taxpayers—for example those who make bulk purchases of fuel—may be required to file annual returns with the Board.

Registration of a vehicle for the annual flat rate tax is not transferable. If you sell or transfer a vehicle to a new owner, you must inform the Board within ten days of the transfer date.

If you have questions about whether your fuel use is exempt from tax, please contact the Fuel Taxes Division in Sacramento.

How do I claim a credit or refund for overpayment of tax to vendors?

Your return provides lines for calculating and claiming a credit for overpaid tax. To obtain a refund, you should complete and file your return and attach a request for a refund to it.

Refunds will be processed by the Board as soon as possible. You should keep adequate records to support your credit if questions occur. If you have questions about the refund of overpaid taxes reported on your return, please contact the Fuel Taxes Division at 916-322-9669.

When a vehicle is leased, who is responsible for reporting tax?

Normally, you must report and pay tax as a user if, by the terms of the lease contract, you are responsible for purchasing or supplying fuel for the vehicle. If the contract gives the lessor the responsibility, he or she would be required to register as the user.

Under certain conditions, however, a lessee is considered to be a user, even though the lessor has the responsibility for purchasing or supplying the fuel. Such lessees are called “qualified users.” Usually, qualified users are trucking companies that lease vehicles from owner-operators and have control over the fuel purchased and used by the owner-operator lessors. To be considered a qualified user, a lessee must:

- Hold a user use fuel tax permit and operate under a certificate of public convenience and necessity issued by the California Public Utilities Commission or a similar authorization issued by the Interstate Commerce Commission
- Maintain records that adequately document all the movement of the leased vehicle within this state
- Agree to be responsible for reporting and paying all use fuel tax incurred by the lessor when he or she operates the vehicle on behalf of the lessee
- Inform the lessors of their responsibilities under the qualified user’s program

In addition, the lessor (owner-operator) must

- Carry the lease agreement in the leased vehicle at all times
- Give the lessee’s name and account number when making credit purchases of fuel
- Use the vehicle only for the lessee’s operation.

If the lessor is operating the vehicle for his or her own business or is operating another vehicle within the state, he or she is a user and must obtain a user permit.

The qualified user program does not apply to trip leases or to leases of less than 31 days.

You must apply to the Board for qualified user status. In some cases, however, the Board may consider you a qualified user “in fact” if you meet all the above criteria. In either case, the Board will send you a letter notifying you of your status and outlining your responsibilities as a qualified user.

Must I inform the Board when I sell or transfer a use fuel vehicle?

Yes, if the vehicle must be registered under a use fuel tax permit. As explained on the next page, you must obtain a tax clearance from the Board before the Department of Motor Vehicles (DMV) will transfer ownership.

The Board will issue the clearance only after you have paid all use fuel tax due from the operation of the vehicle or you have posted security adequate to cover any tax due.

How do I obtain a tax clearance if I transfer ownership of a vehicle?

To obtain a clearance, you must file form BOE-329, *Request for Certificate of Tax Clearance*, with the Fuel Taxes Division in Sacramento. You may file the form by mail or in person.

The following information must accompany the *Request*:

- Proof of registration. This proof can include a current registration, certificate of ownership, or, if the vehicle is from out-of-state, a certificate of title or origin.
- Selling price and date of sale. You must submit a bill of sale signed by both you and the purchaser and a purchase contract or sales agreement.

If you are leasing the vehicle, you must also provide a copy of the lease agreement. This will enable the Board to determine whether you or the lessor is the user.

If the vehicle has been out of operation, you or your agent must complete and sign form BOE-28, *Certificate as to the Use of Equipment* (for a copy, call the Fuel Taxes Division at 916-322-9669). On repossessed vehicles, you should contact the Fuel Taxes Division about other documentation which may be needed. You should submit copies of any required documents, not originals.

To help us process your request more quickly, you should provide all the needed information at the time you apply.

Once the Board has established that you have paid all use fuel tax or you have adequate security for any unpaid tax, you will be issued a form BT-1138, *Certificate of Excise Tax Clearance*. You must submit this certificate to DMV to complete the transfer or change of registration.

If you have any questions about the clearance process, you should contact the Fuel Taxes Division.

6. For More Information

For Questions Regarding Your Account

The Board's Fuel Taxes Division staff provides many services to persons registered under the Use Fuel Tax Law. Please contact them at 916-322-9669 (or fax 916-323-9352) when you need:

- Assistance with completing returns and other forms
- Copies of the Use Fuel Tax Law and regulations
- Information about how to apply the Use Fuel Tax Law
- A use fuel tax clearance

Written Tax Advice

For your protection, it is best to get tax advice in writing. If you write to the Board for advice regarding the taxability of a transaction and the Board's written reply is incorrect, you may be relieved of tax, penalty, or interest charges. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction. You should send your request to

State Board of Equalization, MIC:30
Fuel Taxes Division
P.O. Box 942879
Sacramento, CA 94279-0030

Internet

You can visit our website to download forms and publications, such as the Use Fuel Tax Law and use fuel regulations. Our website address is www.boe.ca.gov.

Information Center

If you have a general tax question or would like to order a publication, please call our Information Center and talk to a customer service representative. Representatives are available from 8:00 a.m. to 5:00 p.m., Monday-Friday, excluding State holidays. Please call

800-400-7115

For TDD assistance (telephone device for the deaf), please call:

From TDD phones:
800-735-2929

From voice phones.
800-735-2922

Tax Evasion Hotline

You can call toll-free to report suspected tax evasion. Call 888-334-3300 during working hours to speak to a representative.

Fax-Back Service

Selected forms and notices are available on our automated fax-back service. Call 1-800-400-7115 at any time and choose the fax option.

Helpful Publications and Regulations

The following regulations and publications may be of interest. To order any of these items, please call our Information Center.

Regulations

- 1301 Fuel
- 1302 Motor Vehicle

- 1303 Highway
- 1304 User
- 1305 Fuel Tank
- 1306 Vendor
- 1307 Vendor's Permit
- 1316 Exempt Uses of Fuel in Motor Vehicle
- 1317 Allowance of Credit of Tax Paid to Vendor
- 1318 Vendor's Liability for the Tax
- 1319 Vehicle Fuel Tank Deliveries Without Payment of Tax
- 1320 Vehicle Fuel Tank Deliveries for Off-Highway Use
- 1321 Allowances for Pumping Liquefied Petroleum Gas
- 1322 Consumption of Liquefied Petroleum Gas in Vehicles Fueled from Cargo Tanks
- 1323 Passenger Carriers — Transit Partial Exemption
- 1325 Annual Flat Rate Fuel Tax
- 1331 Monthly Return of User
- 1331.1 Privately Operated Passenger Automobiles and Small Commercial Vehicles — When User's Permit and Tax Returns Are Not Required
- 1331.5 Weekly Returns and Payments of Vendor
- 1331.6 Credit for Bad Debt Losses of Vendors
- 1332 Records of User
- 1335 Successor's Liability
- 4901 Record Keeping Requirements
- 4902 Relief from Liability

Publications

- 3 *California Use Fuel Tax Law* (extracted from the *Revenue and Taxation Code*)
- 50 *California IFTA: A Guide to the International Fuel Tax Agreement*
- 50-A *California IFTA: An Introduction to the International Fuel Tax Agreement*
- 82 *Prepaid Sales Tax and Sales of Fuel*

Fuel Taxes Newsletter

As a registered user or vendor, you will receive the semiannual *Fuel Taxes Newsletter*, which includes articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest to users or vendors. The newsletter is mailed with your use fuel tax return. The latest newsletter can be downloaded from our web site at www.boe.ca.gov.

Taxpayers' Rights Advocate Office

If you have been unable to resolve a problem with the Board, or if you would like to know more about your rights under the Use Fuel Tax Law, please contact the Taxpayers' Rights Advocate office for help.

Call 916-324-2798 or toll-free 888-324-2798 (FAX 916-323-3319). Or you can write to: Taxpayers' Rights Advocate, MIC: 70; State Board of Equalization; P.O. Box 942879; Sacramento CA; 94279-0070.